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Mark Potter and Jean-Laurent Rosenthal

Politics and Public Finance in France: The Estates of Burgundy, 1660–1790

During the American Revolution, the French Crown increased its debt by more than a billion livres by soliciting lenders directly and by relying on intermediating institutions to coax savings from French people and foreigners alike. Prominent among these institutions were provincial Estates. Estates negotiated provincial tax levels and managed the collection and transfer of revenues to the Crown. Few provinces had Estates; the Crown taxed most provinces directly. By 1661, the largest and wealthiest provinces that retained the privilege of holding Estates were Languedoc, Provence, Brittany, and Burgundy. As everyone knew, Estates bonds were safer than any other government debt. Indeed, French people were willing to lend to the Estates at 5 percent for indefinite durations when they required 8 percent or more for direct loans to the king of short duration. The different channels providing credit to the Crown are significant in economic terms but even more so in political terms. After all, the French Revolution was ushered in by a royal financial crisis brought on by the magnitude of interest charges and by the inability of the Crown to renegotiate its medium-term debt. Had the Crown been able to borrow directly under the same terms as it did through the Estates, it might well have avoided the financial dilemma that precipitated the Revolution of 1789.¹

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1 J. Russell Major, *From Renaissance Monarchy to Absolute Monarchy: French Kings, Nobles and Estates* (Baltimore, 1994), 335–375; Eugene N. White, "Was There a Solution to the Old-Regime Financial Dilemma," *Journal of Economic History*, XLIX (1989), 545–568; Francois

The question of why Estates' bonds were safer than other types of government debt and why they had been so since the 1660s goes to the heart of the debate about the nature of absolutism and privilege. It was long traditional to view the French monarchy between 1660 and 1789 as an increasingly powerful interest seeking to control all aspects of French political life and to marshal domestic resources for the pursuit of war. In the last twenty years, however, historians have begun to highlight the constraints that privilege placed on domestic policies and the need for the Crown to coopt local elites. At the heart of this new literature lie the issues of government revenue and, particularly, royal credit. Some historians emphasize the "forced" nature of royal credit, which they believe was a tax imposed upon government officials. Others have argued that royal credit actually brought benefits to the French elite, who had the political ability to limit royal exactions. Yet, current research has had little success in revealing precisely who benefited from cooptation and who bore the burdens of absolutism. New answers can come from the rich archives of the Estates of Burgundy, which provide unusually detailed and complete information about credit relationships both with the Crown—for whom the Estates borrowed—and with the individuals who lent money to the Estates. Thanks to these records, we can begin to uncover the limits of absolutism and trace their evolution during the final 130 years of the Old Regime.²

To investigate the relationship between the Crown, the Estates, and creditors, we have collected an extensive data set for the Estates' bondholders, including information about 16,169 credit agreements contracted between 1660 and 1790, drawn from the register books of the Estates of Burgundy. For all of these 16,169 loans, we transcribed their values, their dates of contract, and their dates of repayment, along with the names of the lenders, their social identities, or their occupations and residences. For wives and widows we included the social identities of the husbands. We also gathered information on resales of loans when available. For the period from 1660 to 1762, we collected information on all the loans available from the registers; for the period

Velde and David Weir, "The Financial Market and Government Debt Policy in France, 1746–1793," *ibid.*, LII (1992), 1–40.

² James B. Collins, *Fiscal Limits of Absolutism* (Berkeley, 1988), 98–107.

after 1762, we collected an extensive sample. Table 1 presents a summary breakdown of our data. Since occupations and residences were described in great detail in the registers, our analysis required aggregation, which is described in an appendix.

Along with the database on credit contracts, we also read through the deliberations of the Estates concerning debt and kept track of loan issues. The deliberations allowed us to account for the purposes of the loans, the taxes on which they were funded, their interest rates at issue, and their aggregate values. This second set of data contained information on all the loan issues that we could find, whether or not these issues were included in the bondholder database. Previous histories of the social characteristics

Table 1 Summary Statistics

DECADE STARTING IN	VALUE OF ALL LOANS ISSUED BY THE ESTATES ^a	SAMPLE VALUES			
		VALUE OF LOANS ^{ab}	NUMBER OF LOANS	AVERAGE SIZE IN LIVRES	AVERAGE DURATION IN YEARS
1660	1.38	0.97	106	9,145	6.16
1670	2.31	2.21	277	7,970	6.05
1680	3.56	3.56	489	7,301	5.15
1690	6.45	6.66	1,204	5,538	5.08
1700	11.94	12.01	2,486	4,831	8.35
1710	15.12	15.14	1,995	7,593	10.25
1720	8.71	6.95	695	10,000	11.12
1730	8.31	4.74	587	8,075	4.94
1740	17.73	18.83	1,797	8,960	11.20
1750	13.72	12.18	2,102	7,926	9.29
1760	17.80	14.78	1,539	8,020	8.24
1770	28.48	5.75	617	9,333	6.36
1780	27.40	13.47	1,592	8,465	2.77

^a Millions of livres.

^b This sample includes both initial and secondary contracts. Thus, for the period prior to 1760 in which our collection efforts have been exhaustive, we actually have more contracts than were initially issued, even though some of the initial issues do not appear in the registers. We reserve the detailed analysis of secondary contracts for a later communication.

SOURCE The sample is a complete enumeration from registers C 4573, 4576, 4577, 4578, 4579, 4580, 4581, 4582, 4583, 4584, 4585, 4586, 4587, 4588, 4597, 4598, 4607, 4615, 4616, 4618, 4625, 4626, 4627, 4628, 4649, 4727, Archives Départementales de la Côte d'Or. For the period prior to 1762, the sample contains information about all the loans available. After 1762, the contracts in the sample represent c. one-third of the loans contracted by the Estates of Burgundy.

of Old Regime bondholders have focused almost exclusively on the economic issue of market participation. In this article, we seek to go beyond such concerns in order to connect economic issues with political change.³

We begin with a discussion of the politics of privilege in France. We then turn to the institutional particularities of the Estates of Burgundy and their negotiations with the Crown concerning financial matters. The institutional backdrop allows us to link the social composition of the Estates' creditors with the nature of the political relationship between the Crown and the Estates. We then analyze how change in the social composition of lenders reflected the political and economic evolution of Old Regime France.

THE POLITICS OF PRIVILEGE The evolution of public finance in absolutist France has taken center stage lately among the works of economic, political, and institutional historians. Scholars have shown interest in public finance either as a problem in itself or as a means of illustrating collateral developments in political, institutional, or sociological spheres. Hence, it is not uncommon for recent studies to treat the issues of public finance in conjunction with the changing political contexts of seventeenth- and eighteenth-century France. However, the connections between political developments and the changes in financial structures thereby become blurred at times. Some of the literature on public finance, for example, tells a story that begins with an arbitrary Crown using coercive means to raise funds. Royal coercion then gradually disappeared in the eighteenth century, as credit markets developed and the Crown began to respect its financial commitments. Thus, students of the reign of Louis XIV tend to emphasize coercive attempts to raise finances, along with a high risk of default to investors. In contrast, those who study France after 1740 argue that because the Crown depended on a voluntary market for capital, it had to provide creditors with a relatively low risk of default. Missing in this story is an explanation of how the first model gave way to the second—how the Crown lessened its

3 Claude Michaud, "Notariat et sociologie de la rente à Paris au XVII^e siècle: L'Emprunt du clergé de 1690," *Annales*, XXXII (1977), 1154–1187; Herbert Luthy, *La banque protestante en France de la révocation de l'édit de Nantes à la Révolution* (Paris, 1962); Adeline Daumard, *Les fortunes françaises au XIX^e siècle* (Paris, 1973).

reliance upon coercive, arbitrary means and instead conformed to the demands of an open credit market.⁴

It is our contention that the evolution of public finance from one extreme to the other was not as linear as much of the literature suggests; there was no simple transition from coercion in the seventeenth century to open markets in the eighteenth. Throughout both centuries, a variety of different political arrangements existed simultaneously between the Crown and its lenders, with or without various intermediaries and with varying degrees of both coercion and market incentives. Evolution in public finance, therefore, can better be understood by examining the specific arrangements between the Crown, intermediaries, and lenders—arrangements that were often regionally or locally centered.

In their search for funds, French monarchs often exploited privilege to construct financial arrangements with regional and local bodies. Bien was one of the first to suggest systematically how the Crown employed privilege in its search for convenient, low-cost borrowing. Although his study focused specifically on venal officer corps, he noted that other corporate bodies—such as provincial Estates, municipalities, and the assembly of the clergy—entered into similar financial relations with the Crown. Recognizing privilege as a peculiar form of property, in that its extension and preservation remained the juridical prerogative of the king, Bien saw it as a tool that could be wielded against its holders, especially in the case of venal office holders, whose

4 The breadth of recent scholarship about Old Regime government finances is impressive. Some scholars have focused on fiscal questions, particularly on the size of the royal budget. See Michel Morineau, "Budgets de l'État et gestion des finances royales en France au dix-huitième siècle," *Revue Historique*, 536 (1980), 289–336; Alain Guéry, "Les Finances de la Monarchie Française sous l'Ancien Régime," *Annales*, XXX (1978), 216–239. Other studies—such as John F. Bosher, *French Finances, 1770–1795: From Business to Bureaucracy* (Cambridge 1970), and Daniel Dessert, *Argent, pouvoir et société au Grand Siècle* (Paris, 1984)—have examined the financial and political relationships between the Crown and the "personnel" administering royal finances. Finally, some have treated both fiscal questions and the political roles of financiers within the context of the development of absolutism. See Collins, *Fiscal Limits*; Richard Bonney, *Political Change in France under Richelieu and Mazarin, 1624–1661* (New York, 1978).

It is unclear how such a model as that proposed by Douglass North and Barry Weingast, which emphasizes a lack of credible commitment and a strong element of coercion on the part of the French Crown, gives way to allow the emergence of the financial system, near the end of the Old Regime, based upon voluntary markets, that Velde and Weir demonstrate (North and Weingast, "Constitutions and Commitment: Evolution of the Institutions Governing Public Choice in Seventeenth-Century England," *Journal of Economic History*, XLIX [1989], 803–832; Velde and Weir, "Financial Market").

financial and administrative prerogatives could be undermined simply by creating and selling new and redundant offices. Most royal offices in the judicial, financial, and administrative branches were privately possessed by their holders. Individuals bought their offices either from the king or from previous holders on the secondary market. The king found in offices an expedient for raising extraordinary funds. Yet, rather than raising “loans” by creating new offices and risking market saturation, the Crown was able simply to publicize its intention to do so, inducing the existing officer corps to “offer” the Crown a *don gratuit* so as to preserve, for the time being, their jurisdiction and, thus, the value of their members’ investments. Essentially, the present owners were adding capital to their offices—capital to which the Crown would then gain access.⁵

But the capital did not necessarily come from the pockets of the owners themselves. With the legal power to draw up contracts and act for the collectivity of its membership, the officer corps could borrow from the public. Moreover, investors could take legal recourse against the corps—and against the property of its members—if ever needed. As a result, the officer corps represented “good” risks to lenders, and they were able to borrow at rates between 4 and 5 percent—at half the cost that the Crown would have had to pay by borrowing directly from the public. To compensate the corps, the Crown raised its annual *gages* (salaries) accordingly, and the corps, in turn, used these *augmentations de gages* to service its debts. In Bien’s words, “the corps established a public debt in its own name, though, in fact, it passed on the capital to the king.”⁶

5 David Bien, “Offices, Corps, and a System of State Credit: The Uses of Privilege under the Ancien Regime,” in Keith Baker (ed.), *The French Revolution and the Creation of Modern Political Culture* (Oxford, 1987), 96–97. Gail Bossenga offers an in-depth analysis of Bien’s theory in practice in her study of the local privileged corporations in Lille. Hilton Root has also focused on the political implications of royal finance, namely, the resulting alliance between the Crown and Burgundian village communities that was impelled by the Crown’s financial needs (Bossenga, *The Politics of Privilege: Old Regime and Revolution in Lille* [New York, 1991]; Root, *Peasants and King in Burgundy: The Agrarian Foundations of French Absolutism* [Berkeley, 1987]).

6 Bien, “Offices,” 106–107. *Gages*—interest payments made by the Crown to venal officers—represented but a fraction of the income from many offices. Judicial officers, for example, received payments from those requiring their services. Administrative officers often collected surtaxes granted by the Crown. Since the demand for state services tended to grow with time, so did the income of officials. Hence, another interpretation of forced loans and *augmentations de gages* is that the Crown reappropriated part of the rents accruing from civil administration.

Bien characterized this system of borrowing as mutually beneficial for both the Crown and the officer corps. On the one hand, the Crown gained access to low-cost borrowing. Indeed, Bien compared this system of borrowing to the efficiency of the English system, accorded by the involvement of Parliament. As for the officer corps, they benefited from the implicit understanding that the Crown would not create redundant new offices and would thereby maintain intact the privileges of officers and the value of their positions.

Bien's likening of this system to the parliamentary control over finances in England neglects significant indications that the Crown/corps relationship in France may have not been so mutually beneficial. In post-1688 England, Parliament's promise to fund the debt practically eliminated the risk to all investors, since Parliament had the necessary control over fiscal policy to back up its commitments. In the case of the Crown/corps relationship in France, however, the risk of default did not disappear. Rather, the Crown transferred it from the creditors to the venal officer corps, which then found itself dependent upon the Crown's commitment to pay the increased gages.⁷

Bien mentioned this transfer of risk and the possibility that the king could very well have been "late in supplying the gages to the corps or . . . [could have provided] nothing at all," but dismissed the risk as unimportant because it was well defined and the officers held only "limited liability" while in the corps. Yet, Bien ignored the effect that "defaults" would have had on the

7 Parliamentary systems have the ability to default on their debts. That the British honored theirs has much to do with the political influence of bondholders in Parliament; the institution itself was only one factor of the set that reduced default.

Some scholars examining regional political relations uphold the notion that the French Crown failed to keep the promises that it made to local privileged bodies. Daniel Ligou, for example, described how the Crown undermined the interests of the deputies to the Estates of Burgundy, despite the Estates' repeated willingness to pay the Crown to halt the introduction of venality into their ranks. The deputies went along with the Crown's expectations, but then never realized the gains to which Bien's model alludes. Nora Temple also wrote of a one-sided relationship between the Crown and the municipal corps, in which the Crown benefited from its ability to create and alter privileges while the municipal corps bore the costs. In both cases, the Crown enjoyed the freedom to request sums repeatedly that the corps had already paid to preserve their privileges (Ligou, "Les Élus Généraux de Bourgogne et les charges municipales de 1692 à 1789," *Actes du 90ème Congrès National des Sociétés Savantes: Section d'histoire moderne et contemporaine*, I [1965], 95–110; Temple, "The Control and Exploitation of French Towns During the Ancien Regime," in Raymond F. Kierstead [ed.], *State and Society and Seventeenth Century France* [New York, 1975], 80).

value of offices if a corps were unable to meet its obligations on account of the Crown's failure to pay its gages. Most important, Bien dismissed the possibility that once an office was purchased, the holder had no choice but to go along and assume the risk for the king's debts if he wanted to preserve the value of his investment. Never, for instance, does Bien mention the term "forced loan," which has become commonplace in the historiography of Old Regime public finance, though forced loans clearly do seem to apply to his model in which the Crown wields privilege to an almost coercive degree.⁸

Beik went much further than Bien in underscoring the co-operation and mutual benefit between the Crown and elites in his model of successful absolutist rule. According to Beik in his study of the provincial rulers of Languedoc from 1630 to 1680, the Crown governed best when not in constant contention with privileged elites. Contention between the Crown and provincial elites, Beik argued, marked the first half of the seventeenth century when privileges and property rights remained ill defined and subject to royal intervention. Upon assuming the throne, Louis XIV worked to end the costly politics of contention that had fed opposition movements and popular rebellions, including—most significantly for him—the Fronde. He ceased both to undermine property rights and to use privilege as a bargaining chip against local groups. Implicitly, he guaranteed an informal status quo regarding privilege and the prerogatives of corporations; the provincial rulers, in turn, ceased their agitation. Louis XIV also worked within the existing clientele framework through which power disseminated throughout the provinces. By virtue of his personal prestige, the king was able to expand the patronage system laterally and center it upon himself, ensuring that membership as a king's client remained profitable, respectable, and attractive to provincial elites.⁹

Hence, Beik's model of effective absolutist rule depended on a strong, personal rule by the monarch in which the king commanded the incentive structure and clearly set the agenda for others to follow. The elites, on the other hand, reacted by adher-

8 Bien, "Offices," 106.

9 William Beik, *Absolutism and Society in Seventeenth-Century France* (New York, 1985), 217–218, 243–244.

ing to and thereby profiting from the wishes of the Crown. In the realm of finances, the Crown did not need to use privilege as leverage against the corps. Rather, local municipalities and the Estates of Languedoc willingly agreed with the Crown on the level of their *dons gratuits* and borrowed to meet part or all of those obligations. Mostly local elites bought the resulting Estates' bonds, thereby further ensuring their profitable positions within the financial regime; much as the Crown implicitly secured privileges, so too did it honor its obligations to municipalities and Estates.

Thus, in Beik's view, privileged elites became involved in royal finances as Bien suggested, but without the more explicit coercion integral to Bien's model. Another key difference between the two models of absolutist rule established by Bien and Beik lies in the degree to which the Crown honored its commitments to the privileged corps. For the corps to have entered willingly into this so-called mutual relationship, as both Bien and Beik suggested, the Crown's commitment to respect those property rights in the future must have been credible. Beik convincingly argued that the Crown did honor its commitments to the Languedocian elites between 1650 and 1680, but Bien's model occupied a fine line between the tenuousness of privilege and the security of property rights. The tenuousness of privilege gave the Crown leverage over the corps, but privilege had to be secure as a property right to attract investors in the first place.

Important differences separate these two models of absolutist rule and public finance. They both considered the same political cast of characters, namely, the Crown and the privileged elites, but they pointed to different dynamics in their political and financial relationships. This observation is not to suggest that one model is more accurate than the other. Rather, the two models and the distinctions between them suggest precisely what we hope to demonstrate—that differing political arrangements existed simultaneously between the Crown and its lenders; that changes in these arrangements over time did not represent a linear progression toward liberal credit markets, voluntary arrangements, and low risk of default; and that differences over space mostly reflected the particular institutional relations between specific regional or local bodies and the Crown.

THE CROWN AND THE ESTATES OF BURGUNDY As early as 1660, the Estates of Burgundy raised money for the Crown, much like Bien's officer corps did. Between 1660 and 1789, they raised in excess of 142 million livres. The Estates of Brittany, Languedoc, and Artois were equally active. Since the combined debts of the *pays d'Etats* amounted to one-sixth of all the Crown's perpetual debts in 1789, such borrowing was hardly a negligible means of public finance. Like the venal officer corps, the Estates were a widely accepted means to raise capital quickly and inexpensively under the Old Regime. Venal officers were the dominant source of long-term finance under Louis XIV; the Estates became more important under Louis XV and XVI.¹⁰

The dissimilarity between the Estates and the officer corps was reflected in their respective relationships with the Crown. Unlike venal officers, deputies to the Estates held no financial stake in their institution; they did not risk losing any personal savings invested in their positions. Yet, they did have an interest in protecting their provinces' privileges, particularly those that benefited local elites. Therefore, the Estates could very well have felt coercive pressure from the Crown to raise loans at its behest. The Crown applied leverage by creating, or threatening to create, offices in the provinces, with the expectation that the Estates would buy them all back in one large repurchase, or *rachat*. The Estates agreed to the rachats to preserve the provinces' privileges and to defend the interests of the local elite. With the king's permission the Estates borrowed whatever sums were needed for the rachats and guaranteed their loans by earmarking specific revenues as collateral. In these cases, the Crown approached the Estates much as it did specific venal officer corps: it used privilege as an indirect coercion in order to borrow money via rachats.¹¹

10 C 4573, Archives Départementales (A.D.) de la Côte d'Or. See *Rapport de la Commission des Finances de la Convention Nationale* (Paris, 1793), 4; Marcel Marion, *Histoire Financière de La France* (Paris, 1927–1931), I, 459–474; II, 131–132. According to Marion, the value of venal offices was nearly the same in 1715 and 1789 (I, 62; II, 131). As our data suggest, the debts of the *pays d'Etat* rose rapidly over the course of the century.

11 See n. 7 for Ligou's account of the attempts by deputies from the Estates of Burgundy to preserve their autonomy over municipal government. In addition, members of the Estates held an interest in controlling as much of the public expenditures within their province as possible (Beik, *Absolutism*, 258–270).

In 1700, the Estates repurchased offices created by twenty-four edicts for the sum of 922,000 livres, of which they borrowed 522,000. Among the venal offices so created and suppressed were town governors (*gouverneurs dans les villes*), treasurers of communal exchanges (*trésoriers des bourses communes*), and controllers of marriage proclamations (*contrôleurs des bans*).

By contrast, lenders to the Estates came forth voluntarily. The Estates had no mechanism by which to force individuals into lending them funds for the rachats, even when indirect royal coercion had led them to issue bonds. This element of voluntary investment suggests that the Estates remained capable of ensuring the safety of their own bonds despite the Crown's leverage over privileged elites and despite the Crown's ability to coerce the Estates to act as a financial intermediary.

For such an arrangement to have worked to the benefit of all involved and to have attracted the investors that it did, both the Estates and the Crown had to adhere to their commitments, at least in theory. For its part, the Crown had to respect the revenues that it accorded to the Estates as collateral for the bonds; the king could not reassign such revenues or diminish them in any way. In reality, though, the king did sometimes try to divert revenues committed to funding the Estates' debt, but invariably with the vigorous opposition of the Estates, which fought to preserve their reputation as a major borrower. Usually the Estates were successful in constraining the Crown, but sometimes they lost their case. In this instance, the Crown and the Estates were not necessarily cooperating to reduce borrowing costs; rather, the Estates were trying to constrain the Crown to protect their own interests. The Estates were unable to assure lenders that loan contracts would be honored in all instances; in other words, the Estates could not make an absolute commitment to repay the loans. Nonetheless, they were able to issue bonds that were significantly safer than those issued directly by the Crown. The arrangement was advantageous to the Estates, the Crown, and their creditors.¹²

de mariage) (C 3019, *Registre des transcriptions des décrets des États*, fol. 69, A. D. Côte d'Or). The Estates also repurchased Burgundian municipal offices in 1692, 1714–1717, 1726, 1733, 1764–1766, and 1773, thus “joining and uniting” the offices to their institution. That is to say, the offices continued to exist after their repurchase, but they were not venal. The Estates, along with the governor and the intendant, could then fill the offices as they wished (Ligou, “Élus Généraux,” 97).

¹² In 1708, the Estates succeeded in halting the Crown's granting of merchant passports that had been causing a diminution of the revenues from the *octrois de la Saône*, the tolls along the Saône river. In 1701, on the other hand, the Estates faced a rare loss of these revenues when the Crown diminished the lease of the octrois by 40,000 livres as compensation to tax farmers for the momentary cessation of grain exports in 1698–1699 (Potter, “The *Octrois de la Saône*, the Estates of Burgundy and the Royal Fisc under Louis XIV,” unpub. ms. [Univ. of California, Los Angeles, 1995]).

By raising loans through the Estates, the king benefited from interest charges that were significantly lower than what he would have paid had he borrowed directly from the public. Between 1660 and 1770, credit-worthy private borrowers paid between 4 and 5 percent for long-term annuities. Meanwhile, the Crown was rarely able to borrow at a rate less than 5 percent. Even those royal bonds that nominally paid 5 percent were issued at a steep discount, especially in periods of warfare, thereby effectively raising the rate of interest. The Estates issued their debt at 5 percent in peace time and 5.55 percent in war time. In both cases, their accounts show that they raised the full nominal value of the bonds. After the return to monetary stability in 1726, the Crown always had to offer significantly more than 5 percent and still forego receiving the full face value of its annuities. In fact, after 1770, new issues of long-term annuities earned nearly 8 percent. Nevertheless, the Estates continued to issue their debt at 5 percent and raise the full nominal value of the bonds right up to 1789. Since the differential persisted for more than a century, it seems likely that investors recognized the significant guarantee that the Estates offered them in constraining the Crown against default.¹³

The elites of the province must have valued the Estates' financial dealings in a number of ways. Indeed, Burgundian elites had vast opportunities for low-risk investment with returns usually ranging between 4 and 5.5 percent—on average what the uncertain private market offered. Further, as a corporate body representing the interests of local elites, the Estates increased their prominence from the control that they accrued over resources and from the credibility that they attained as guarantors both of provincial privileges and of private investments. Hence, the Estates' officers never had to mortgage personally possessed property, as did venal officers when they borrowed for the king. Rather, the Estates mortgaged specific anticipated revenues to guarantee repayment of principal on their debts. The risk assumed by the Estates, therefore, was much less than that assumed by the venal office corps. Only reputation, not property, was at stake in serving as a financial intermediary for the Crown, and the delegates to

13 Philip Hoffman, Gilles Postel-Vinay, and Rosenthal, "Private Credit Markets in Paris, 1690–1840," *Journal of Economic History*, LII (1992), 302; Velde and Weir, "Financial Market," 21.

the Estates (*élus*) recognized the importance of their credit reputation, as their deliberations demonstrate:

At the time when the province needs to borrow, she usually announces the date at which these debts will begin to be reimbursed. Yet in the years that pass between the issue of a debt and its reimbursement, it happens now and then that some creditors need their capital, and that they ask to be reimbursed. We are not required, in truth, to anticipate the contracted time at which the principal is to be repaid. But it appears to us that it is of a wise administration to grant the wishes of those who by the loan of their moneys have helped the province. This practice can never be very onerous to a *pays d'Etats* and it will be very useful when we borrow again.¹⁴

With reputation, not personal property, at risk in the case of a royal default, the Estates might well be expected to have acted willingly as financial intermediary for the Crown. Ironically, Bien's contention of mutual benefit applies more to the role of the provincial Estates as financial intermediaries than it does to his example of the officer corps filling the same capacity.

True, the Estates never attained sovereign control over the financial issues that they mediated. In times of particularly acute need, the costs that the Estates could impose on the Crown may have paled in comparison with the benefits that the Crown would derive from default. Thus, the Estates could not prevent the defaults of 1698, 1714–1722, and 1766–1770; nor could they shield investors from the negative consequences of the monetary manipulations that repeatedly reduced the silver content of the livre between 1700 and 1726. The Estates never acted as the French

14 On the importance of low-risk, low-return investments in the portfolios of the early modern French elite, see George V. Taylor, "Non Capitalist Wealth and the Origins of the French Revolution," *American Historical Review*, LXXII (1967), 469–496.

By itself, the difference in risk assumed by the venal officers and the Estates would suggest that loans to the former were the safer of the two. By the edict of February 1683, lenders to venal officers who had registered their lien on the offices with the keeper of seals enjoyed priority in claims on the office in the case of default. Lenders to the Estates, on the other hand, had no legal claims on tangible assets. A diminution of earmarked revenues brought about either by royal intervention or by acts of God would have forced the Estates to reschedule their debts, a move against which the bondholders had no legal recourse. Thus, the relative safety of Estates' bonds must necessarily have arisen out of the political ability of the Estates to constrain the Crown (Paul Louis-Lucas, *Étude sur la vénalité des charges et fonctions publiques* [Paris, 1882], II, 312–398). C 4569, February 18, 1773, A.D. Côte d'Or.

equivalent of the post-1688 English Parliament. They never enjoyed the sovereignty over financial matters necessary to prevent default in all cases. Nevertheless, the Estates did succeed in pressuring the Crown to avoid default more successfully than other intermediating bodies, while they enjoyed privilege and prestige on the regional level. Furthermore, they were often able to mitigate the consequences of default. As we show later, the Estates used timely reimbursements to reduce the impact of royal edicts that unilaterally reduced interest payments. Individuals who were reimbursed after a default recovered their entire capital and were free to invest it however they chose.

The Crown never carried out this reimbursement process on the annuities that it issued directly through the Hotel de Ville de Paris. The Crown clearly treated the financial obligations raised through the intermediation of the Estates of Burgundy differently than it did such standard government bonds as *rentes* on the Hotel de Ville de Paris. Indeed, there would have been no need to raise loans through the Estates if the Crown intended to treat those bonds like any others. A perceptible scale was at work on which Estates' bonds ranked at relatively low risk, thereby drawing substantial voluntary subscription.

THE ESTATES' LOANS

The Process of Debt Issue The process of debt issue was straightforward, changing little during the period from 1660 to 1790. In the face of an unexpected contingency or in response to a royal request, the Estates would deliberate and authorize its treasurer to borrow a certain sum. In most cases, both the local judicial and fiscal authorities (the Parlement of Dijon and the Chamber of Accounts of Dijon) had to approve the loan issue. For the next few months, individuals would subscribe to the loan issue either in person or through an intermediary. The treasurer then would turn to a pair of notaries to write up the loan contracts and later compile a register of all the lenders. The bulk of our information comes from these registers.¹⁵

Legally, all Estates' loans were *rentes perpetuelles*; that is, they were bonds that required borrowers (the Estates, in this case) to

15 In the case of the annual *don gratuit* and the triannual *voyage d'honneur*, loans were raised without consulting the Parlement or the Chamber of Accounts. Loans for extraordinary purposes, however, required that these authorities be systematically consulted.

make only annual interest payments and left them free to decide when to repay the capital. In practice, however, and unlike the king's *rentes perpetuelles*, Estates' loans were term debts; hence, the schedule of capital repayment was broadly known in advance. Indeed, as already stated, when the Estates issued a bond, they mortgaged specific future tax revenues to pay both interest and principal. As these revenues accrued, the treasurer of the Estates paid off the bonds by randomly selecting contracts.

Within these guidelines, the Estates interacted with the Crown in at least four different ways to raise funds, in all cases needing royal permission to float loans and earmark revenues. The first, which was also the least important in frequency and volume throughout most of the period under study, was to borrow for provincial affairs. Loans were raised to fund such projects as the construction of a king's statue, the triennial *voyage d'honneur* to Paris to present the king with provincial petitions, or the construction of canals. Existing documentation leaves ambiguous the question of which revenues the Estates used as collateral for these loans, though it seems that they committed revenues that normally would have been spent in Burgundy. Second, the Estates regularly borrowed to finance all or part of the taxes that they had to remit to the Crown, such as the *don gratuits*, the *subsistence*, the *exemption*, and the *capitation*, which they would defray with such revenues as the *crues de sel* and the *octrois de la Saône*, periodically granted by the king, involving a shift from direct to indirect taxation. Third, they raised loans to repurchase edicts, particularly edicts creating offices or issuing augmentations de gages. Although these loans were guaranteed against similar Crown-granted revenues, they required an absolute increase in the tax burden.¹⁶

16 In 1686, the Estates borrowed 10,000 livres for the erection of a statue of Louis XIV (C 3380, *État de l'administration des Élus pendant la triennialité*, A.D. Côte d'Or). Borrowing for canals reached significant levels toward the end of the eighteenth century.

In principle, the *don gratuit*, the *subsistence*, the *exemption*, and the *capitation* represented ordinary annual payments due to the Crown and funded with direct taxes levied against the provinces' nonexempt inhabitants. Though collected jointly, each of these taxes had different historical roots and, hence, were given separate mention in the Estates' account books. By borrowing sums against indirect tax revenues to supplement them, the Estates were effectively transforming direct tax obligations in the present into future indirect tax obligations. For example, in 1711, they borrowed 266,666 livres against revenues from the local salt tax, or the *crues de sel*, of 1713 to cover the entire amount due the current year as their *don gratuit*; and between 1702 and 1709, the Estates borrowed 416,000 livres annually against future

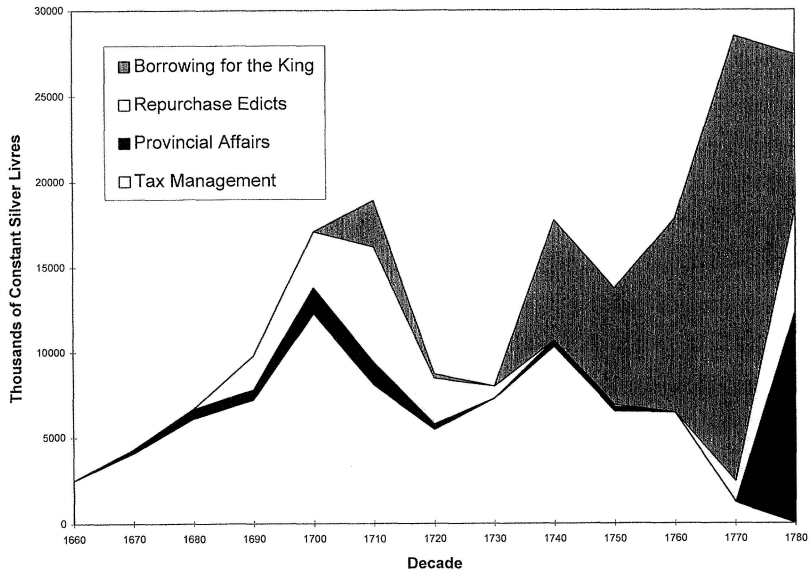
Finally, the Estates agreed to borrow sums for the Crown in return for a specific future decrease in annual tax transfers to the Crown. The Crown would typically surrender an annual sum, equal to one-tenth of the capital of the loan, from its ordinary Burgundian revenues, which the Estates used to pay the interest and the capital of the loans. This type of loan, along with those floated for provincial affairs, represents the Estates' most voluntary arrangement; the Crown gained access to capital through the intermediation of the Estates without directly wielding the element of privilege as a bargaining chip. To be sure, all of the loans funded by the Estates involved an element of implicit coercion. If the Crown had not found the Estates so willing to be partners in debt issue, it may well have decided to circumvent them in local financial matters. Yet, coercion was limited because these loans availed both the Estates and the Crown. The loans enhanced the prestige of the Estates and made them valuable associates of the Crown, and the king gained a cheap source of credit. In contrast, the *rachats*, or repurchase of edicts, were explicitly coercive, since the Crown required the Estates to borrow funds in order to preserve provincial privileges.¹⁷

Figure 1 demonstrates that c. 1730 the most coercive arrangements began to give way, indicating a clear evolution in the relationship between the Crown and the Estates, and that the Estates must have preempted the creation of many an edict by providing the Crown with added revenue, since at no time did the Estates commit more than half of their borrowed funds to repurchase offices. Figure 1 also shows that as the Crown shifted away from coercive measures, the Estates massively increased their borrowing on its behalf.

The close connection between bond issues and the commitment of specific financial resources involved in all four types of arrangement was what made the Estates' loans particularly attractive to investors. The assurance of repayment within a few years

revenues from the octrois de la Saône to help pay the 1 million livres that it transferred annually as the province's capitation (C 3388, *État de l'administration des élus*, fol. 331–332; C 2982–2983, *Registres des privilèges*, A.D. Côte d'Or).

17 There is an element of coercion to the second type of arrangement as well. Insofar as the Crown could unilaterally set the amounts paid annually to it in the form of subsistence, capitation, etc., the Estates were left with the narrow choice between borrowing part of the sums against future indirect tax revenues or paying the full amounts through present direct taxation.

Fig. 1 Purpose of Burgundian Loan Issues

SOURCE C 2982, 2983, 3388, 4560–4572, 4573, 4576–4588, 4597, 4598, 4607, 4615, 4616, 4618, 4625–4628, 4631, 4632, 4634, 4649, and 4727, Archives Départementales de la Côte d'Or.

limited the losses that followed upon royal defaults. Take for example Benigne de Machecot, lord of Prémaux, and a counselor at the Parlement of Dijon, who invested 7,000 livres in a bond issue in 1692. He expected to earn an annual payment of 5.55 percent on his capital, or 385 livres. The Estates reimbursed Machecot in 1697, and, that same year, he made them a new loan for the same 7,000 livres at the same interest rate. However, with the coming of peace in 1698, the Crown reduced all interest payments to 5 percent, resulting in an income loss of 10 percent for Machecot. Nevertheless, he was reimbursed all of his principal in 1701. Within a year, Machecot loaned at least 9,000 livres to the Estates, an investment that again yielded 5.55 percent (with the outbreak of the War of Spanish Succession, the Estates raised the rate on their bonds). So, as a result of the 1698 default, Machecot had lost none of his capital and only a small share of his interest payments (10 percent for the years between 1698 and 1701). Had he invested in rentes on the Hotel de Ville in Paris,

he would never have regained his capital and would have received payments of only 5 percent all the way to the default of 1714, when his interest payments would have been cut yet again.¹⁸

Clearly, investing in the Estates was safer than investing directly in the Crown. Risks still existed, but the remaining sources of uncertainty (monetary manipulations and interest-rate reductions) were unavoidable in any financial investment, either in the public or the private sector. By reimbursing on schedule, the Estates assured their lenders that most of their risk concerned interest payments, not their capital.

The Bondholders The Estates issues thousands of annuities during the 130 years of their activity that we can follow. These annuities hold crucial information about the process whereby the Crown secured resources.¹⁹

The Estates of Burgundy turned to a bewildering array of creditors, from princes of the blood to lowly spinsters in small Burgundian towns. The issue of why individuals provided funds to the Estates shows its relevance in the fact that, at best, only a fraction of the investors could have been compelled to do so. Some lenders—like Phelypeaux de Pontchartrain, Chancellor of France—appear to have had obvious stakes in the success of government policy. Others—like Jean de Berbissey, president of the Parlement of Dijon, or Louis de Foudras, deputy of the Estates for the nobility—had a strong interest in the preservation of provincial autonomy. Yet, for a surprisingly large number of the lenders, the preservation of the Estates was of little importance, at least until that moment when they invested in the Estates' bonds. Most lenders seem to have held the bonds because they had freely purchased them as investments—not because of any sense of duty, let alone provincial or royal duress.²⁰

18 The relevant loans are found in C4578, fol. 61v (14/4/1692); C4579, fol. 29r (7/2/1697); C4580, fol. 50v (9/1/1701); C4580, fol. 342r (4/8/1707), A.D. Côte d'Or. In all, Machecot advanced money to the Estates twenty-five times between 1692 and 1712.

19 Our data set includes 14,171 initial investment contracts and 1,958 contracts concerning resales. Using the data from our sample, we estimate that the Estates must have issued about 20,000 bonds during the period.

20 Phelypeaux loaned money to the Estates on three separate occasions in 1720. The Berbissey family made seventy loans to the Estates between 1664 and 1749, most of which by the president of the Parlement of Dijon in the late seventeenth century. Foudras, for his part, made sixteen loans, and another eight were made by Jacques de Foudras, his relative, who also served in the Estates.

The very diversity of investors argues against any sort of coercive arrangement between the Crown, or the Estates, and the bondholders. To begin with, a surprisingly large share of the lenders were women, plebeian as well as aristocratic in origin (see Table 2). Although married women subscribers are most often hidden because scribes recorded only their husbands' names, widows and spinsters appear prominently in the record. Women as a group comprise 24 percent of the lenders. Widows outnumber spinsters by nearly a factor of two. However, the number of spinsters grew so dramatically that, after 1730, women who invested in Burgundian bonds were equally likely to be spinsters as widows. This proportion was similar to what has been found for other types of government bonds. Although a despotic government might well have forced entire families to contribute to the Estates' loans, this strategy does not fit the French case; whenever the Crown targeted specific corps or groups in an effort to raise funds, it never extended its pressure beyond the individuals who composed that group. Apart from the quantitative evidence, the identities of the women further suggest that many of them were not even remotely connected to the Estates. Indeed, it is hard to imagine either the widow of Jean-Baptiste Colbert or Marie Madeleine Fournet, a Parisian spinster, being required by anyone to invest in the Burgundian loans. Rather, women, whether unmarried or widowed, saw the Estates' bonds as safe investments for their wealth, dowries, or widows' portions.²¹

The same disconnection between the Estates and lenders is evident in the consideration of social origin or residence. Since both indicators show substantial evolution between 1660 and 1790, we discuss them in detail in the next section. Nonetheless, the aggregate evidence is telling. More than half of the lenders were not Burgundians, though some of them were of Burgundian

21 Widows appear in slightly less than 2,400 contracts, lending 21.8 million livres to the Estates. Spinsters appear in 1,350 contracts, lending 7.5 million. Yet, spinsters appear in nearly three times as many contracts (940 relative to 343) after 1730 than before 1720, whereas widows appear in roughly the same number of contracts (1,300 relative to 900). Hoffman, Postel-Vinay, and Rosenthal, "Private Credit Markets," suggest that women made up only about 20% of the lenders to the Crown in Paris. For a discussion of the *Chambres de Justice*—quasijudicial proceedings through which the Crown attempted to have financiers return part of their profits—see Dessert, *Argent*, 238–257. For loans funded by corporations, see Bien, "Offices," 89–114. Colbert's widow loaned money to the Estates three times in 1696, and the Colbert clan appears sixteen times in the records.

Table 2 Sex of Burgundian Bondholders

DECADE STARTING IN	SHARE OF FUNDS LOANED		
	WOMEN (%)	MEN AND FAMILIES (%)	INSTITUTIONS (%)
1660	7.62	85.10	7.27
1670	22.03	71.47	6.50
1680	27.27	68.16	4.57
1690	22.25	73.71	4.04
1700	16.79	78.15	5.06
1710	22.82	72.88	4.30
1720	23.71	73.60	2.69
1730	20.80	72.39	6.81
1740	25.65	71.71	2.64
1750	23.43	72.76	3.81
1760	26.20	68.97	4.84
1770	39.79	56.97	3.24
1780	24.62	64.49	10.80

SOURCE C 4573, 4576, 4577, 4578, 4579, 4580, 4581, 4582, 4583, 4584, 4585, 4586, 4587, 4588, 4597, 4598, 4607, 4615, 4616, 4618, 4625, 4626, 4627, 4628, 4649, 4727, Archives Départementales de la Côte d'Or.

origin—like the Bossuet family—or had regional connections—like Marguerite Brunet de Rancy, the widow of Pierre Arnault de la Briffe, who had been the intendant of Burgundy. At least 30 percent of the lenders were of third-estate status, and only about half of the bonds were bought by officeholders. Taking into account that these bonds were issued in Burgundy, the distribution of holders is not significantly different from that found in Paris, save for one characteristic: Virtually no foreigners lent to the Estates.²²

22 In the 1670s, Jacques Benigne Bossuet, a councillor at the Parlement of Dijon, initiated the family's investment in Burgundian bonds; the practice continued for another fifty years.

Third-estate lenders accounted for at least 20% of the value of the funds raised and officeholders for nearly two-thirds. In each case, the reported figures are undercounts, since individuals were not required to mention their office in the bond contracts; nor were they required to report their social standing. Nonetheless, careful analysis of occupations and the collation of information about individuals who recur frequently in the data allow us to attribute a social standing to nearly 80% of male subscribers. Although there is no reason to think that the social class of women bondholders was different from that of men, the social information in their contracts is much more limited, leaving nearly half of them unclassified.

Hoffman, Postel-Vinay, and Rosenthal have found that the proportion of foreign lenders to the Crown in Paris grew from near nothing before 1700 to almost 20% during the American Revolutionary War ("An Unconventional but Stable Credit System: Paris 1726–1789," unpub. ms. [1996]).

Thus, in the aggregate, lender-clientele characteristics are inconsistent with the supposition that the Crown coerced investors into subscribing to debt issues. Furthermore, unlike the situation elsewhere in early modern Europe, the composition of the creditor group is too socially diverse to explain why the Crown allowed the Estates' bonds to be safer than its own. No powerful interest group had sufficient investments in these bonds to warrant political action to avoid default. In short, Burgundian bonds appear to have been safe for anyone who invested in them.

Change over Time The aggregate data concerning bondholders bears startling evidence that the last century of the Old Regime was a period of significant political and economic evolution. The residence of the Estates' creditors during two distinct periods, 1660 to 1713 and 1726 to 1789, is displayed in Table 3 and Figure 2. Between the beginning and the end of Louis XIV's reign, Burgundians reduced their relative contributions to Estates' loans by more than 50 percent, and by the 1740s, their share was a mere quarter of what it had been in the 1680s. Close examination of the lending patterns decade by decade reveals that before 1690, the Estates raised more than 80 percent of their funds in Dijon or from aristocrats nearby. The only exceptions were a few

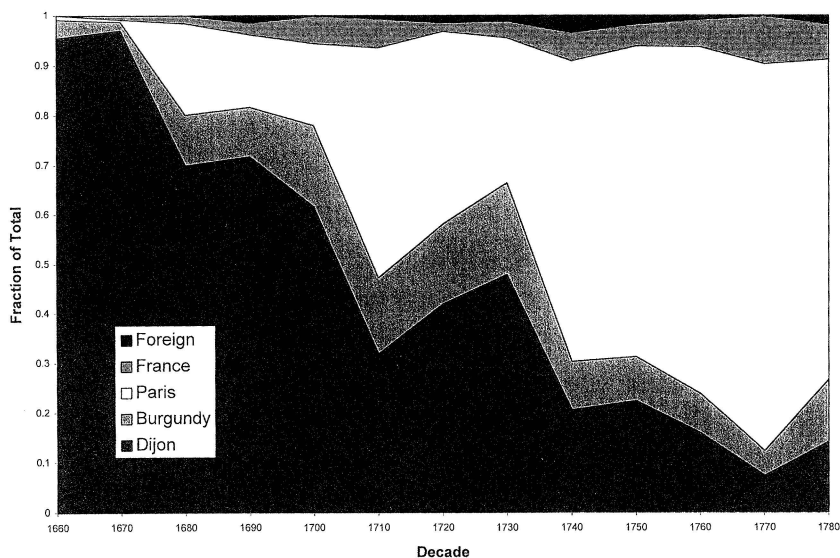
Table 3 Bondholders' Residences

RESIDENCE	NUMBER OF CONTRACTS (%)		VALUE OF LOANS (%)	
	1660-1713	1726-1789	1660-1713	1726-1789
Dijon	68	18	60	18
Burgundy	17	10	12	9
Paris	9	44	19	57
France	4	4	5	5
Abroad and unknown	3	7	4	10

NOTE Burgundy denotes residences in Burgundy other than Dijon (including unknown in Burgundy); Paris includes Versailles and Chantilly (the country estate of the dukes of Condé, governors of Burgundy). France denotes residences in France other than Dijon, Burgundy, or Paris (including unknown in France but not in Burgundy). Individuals who could not be allocated with certainty to Burgundy and the rest of France we placed in the unknown category. Foreigners subscribed to only 132 contracts, 93 of which were signed after 1740.

SOURCE C 4573, 4576, 4577, 4578, 4579, 4580, 4581, 4582, 4583, 4584, 4585, 4586, 4587, 4588, 4597, 4598, 4607, 4615, 4616, 4618, 4625, 4626, 4627, 4628, 4649, 4727, Archives Départementales de la Côte d'Or.

Fig. 2 Residence of Burgundian Bondholders



SOURCE C 4573, 4576, 4577, 4578, 4579, 4580, 4581, 4582, 4583, 4584, 4585, 4586, 4587, 4588, 4598, 4607, 4615, 4616, 4618, 4625, 4626, 4627, 4628, 4649, and 4727, Archives Départementales de la Côte d'Or.

relatively small loans raised in Paris, perhaps because of some unexpected expense encountered by the province's agents in the capital. As the demands of the Crown mounted, the Estates managed simultaneously to increase the capital supplied locally and to reach out to new sources of funds. In the last twenty years of Louis XIV's life, Parisians and provincials outside Burgundy gradually increased their share to c. 25 percent of the funds raised.²³

The decade of the 1710s marked the beginning of a major change. Within twenty years, the Estates were raising the bulk of their capital in Paris rather than in Dijon. After 1720, Burgundians never again supplied more than half of the funds. That the Estates moved much of their fund-raising from Dijon to Paris just when

²³ In their negotiations with the Crown, Estates representatives found it expedient to "gratify" members of the royal bureaucracy. In other instances, they borrowed in Paris to commission a statue of the king for Dijon (C4576, 1686, A.D. Cote d'Or). Such loans before 1710, all of which were small, do not suggest that the Estates were raising capital in Paris systematically.

the Crown was initiating a massive increase in its direct solicitation of funds from savers via Parisian notaries leaves little doubt that the second half of the eighteenth century signified an important step in the creation of a national capital market. Indeed, the rise in the share of loans subscribed by Parisians coincided with the increased financial activity of notaries in Paris. These improvements in intermediation must have facilitated the broadening of the market in Burgundian bonds. Yet, these innovations in financial markets seem insufficient on their own to explain the increasing appeal of the Estates' bonds. What political and economic factors made it attractive for non-Burgundians to hold an increasing fraction of the Estates' debts?²⁴

Examination of the occupational distribution of creditors finds a secular change just as dramatic as the new geographic distribution. Judicial officers and financial officers, who had accounted for nearly half of all money lent to the Estates before

Table 4 Social Origins of Bondholders

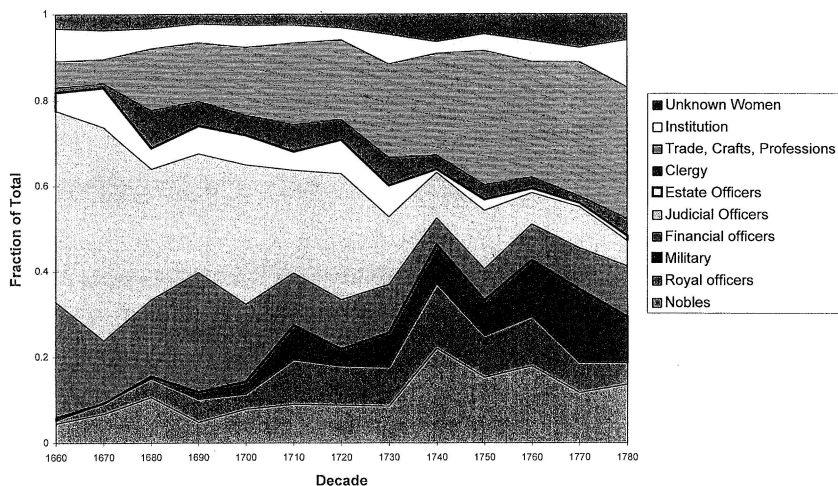
SOCIAL CATEGORY	SHARE OF CONTRACTS (%)		VALUE OF LOANS (%)	
	1660-1713	1727-1789	1660-1713	1727-1789
Royal officers	3	7	5	10
Military	2	6	4	10
Nobles	6	11	8	16
Financial officers	20	8	19	9
Judicial officers	25	9	30	10
Estate officers	5	2	6	2
Trade, crafts, professions	22	34	16	27
Clergy	6	5	5	4
Institutions	5	10	3	6
Unknown women	5	10	3	6
Unknown men	2	2	1	2

NOTE The period 1714-1726 was omitted.

SOURCE C 4573, 4576, 4577, 4578, 4579, 4580, 4581, 4582, 4583, 4584, 4585, 4586, 4587, 4588, 4597, 4598, 4607, 4615, 4616, 4618, 4625, 4626, 4627, 4628, 4649, 4727, Archives Départementales de la Côte d'Or.

24 See Hoffman, Postel-Vinay, and Rosenthal, "Economie et Politique, Les Marchés du crédit à Paris, 1750-1840," *Annales*, I (1994), 65-98.

Fig. 3 Occupatons of Burgundian Bondholders



SOURCE C 4573, 4576, 4577, 4578, 4579, 4580, 4581, 4582, 4583, 4584, 4585, 4586, 4587, 4588, 4597, 4598, 4607, 4615, 4616, 4618, 4625, 4626, 4627, 4628, 4649, and 4727, Archives Départementales de la Côte d'Or.

1713, saw their portion of total contributions dwindle to less than a fifth (see Table 4 and Figure 3). In contrast, the third estate, broadly defined, fairly doubled its lending to the Estates. In particular, individuals from the trades and crafts nearly quadrupled their share of the loan issues. Also increasing dramatically was the participation of military officers, nobles, and royal officers, including *secrétaires du roi* and royal administrators. A significant increase also occurred for domestics and professionals, although it was smaller.

The purpose of discussion makes it convenient to group bondholders into three categories: first, elites who did not hold local administrative positions (including nobles, military officers, *secrétaires du roi*, and officers of the king); second, officers affiliated with local corporate bodies (including judicial, financial, and Estates officers); and last, the third estate (including servants, tradesmen, crafts, and the professions). The foundations of the first group's political authority are ambiguous. To the extent that they were endowed with political authority, it likely came from personal or direct links to the Crown. The second group clearly corresponds to the corporate sector in Bien's thesis about Crown—

elite cooperation; individuals in this second group often mediated their relationship to the Crown through their local corporations. (The argument about Crown–elite cooperation proposed by Beik relates to both the first and the second group of investors.) The third group includes all those with little apparent ability to put pressure on either the Crown or the Estates. Table 5 presents the decadal contributions of these three groups.

The participation of local corporate officers as bondholders declined drastically starting in the 1710s, while nobles and the military, along with the third estate, increased their subscriptions to the bond issues. At precisely this time, the Estates began shifting the emphasis from Dijon to Paris as their source of capital. Initially, members of the first group, such as nobles and military officers, replaced judicial and financial officers. Then, in the 1740s, the bourgeoisie and the professions increasingly funded these loans. Apparently, under Louis XIV, the Estates relied heavily on the

Table 5 Bondholders and Political Representation

DECADE BEGINNING IN	SHARES OF TOTAL FUNDS RAISED FROM (%)		
	NOBLES MILITARY AND ROYAL OFFICERS	CORPORATE OFFICERS	LENDERS WITH NO POLITICAL POWER
1660	6	76	17
1670	9	74	16
1680	16	53	22
1690	12	62	20
1700	14	58	23
1710	27	41	26
1720	22	49	24
1730	26	34	33
1740	46	18	33
1750	33	24	40
1760	43	17	38
1770	36	20	42
1780	29	19	48

NOTE The corporate officers include estate, judicial, and financial officers; the no political power category includes trade, crafts, professionals, institutions, and women. Shares do not sum to one because two groups (clergy and unknown) have been omitted.

SOURCE C 4573, 4576, 4577, 4578, 4579, 4580, 4581, 4582, 4583, 4584, 4585, 4586, 4587, 4588, 4597, 4598, 4607, 4616, 4618, 4625, 4626, 4627, 4628, 4649, 4727, Archives Départementales de la Côte d'Or.

financial assistance of the region's own corporate elites, who came to the Crown's assistance not only by tinkering unceasingly with the value of their offices but also by funding such a large proportion of the bonds. In the first four decades of Louis XIV's personal reign, debt financing via annuities did not offer the king a significant extension of his borrowing abilities beyond the officer corps. That situation changed progressively after 1700.

To explain this evolution we can appeal either to changes in the attitudes of the French people toward bondholding or to changes in the institutions that made various types of bonds more or less attractive to different individuals. The change in attitudes or mentalities might appear to account for the evolution of the Burgundian bond market, but this explanation has an uncomfortably modern and capitalist flair. It is also reasonable to suppose that the experience of holding bonds began as an involuntary process among corporate officers, eventually diffusing to other members of the elite and finally to the rest of the population. This process presumably would have begun among the very wealthy (that is, the aristocrats), for they alone had dispersed landholdings and thus some experience in investing in diverse locales. Yet, this tale is, at bottom, unsatisfactory; for one thing, private borrowing and lending via *rentes* was widespread and antedated the massive increase in government borrowing under Louis XIV. Furthermore, in Paris, at least, the original holders of *rentes* had been bourgeois as well as aristocratic, and members of the third estate continued to hold large shares of government bonds in the seventeenth century. Experience with debt was widespread, thereby making it difficult to explain why Burgundian bonds gradually became more attractive to distant and nonelite borrowers after 1700.²⁵

Thus, we must turn to the institutions of debt in Old Regime France. The oft-invoked personal links that characterized pre-capitalist societies suggest that the non-Burgundian elite—the Dukes of Condé and their clients, for instance—may have invested in Estates' bonds because the great nobles anticipated that in case

25 For *rentes* in the countryside, see Rosenthal, "Credit Markets and Economic Change in Southeastern France 1630–1788," *Explorations in Economic History*, XXX (1993), 129–157; Michaud, *L'église et l'argent sous l'ancien régime* (Paris, 1991). Hoffman, Postel-Vinay, and Rosenthal, "Redistribution and Long-Term Private Debt in Paris 1662–1726," *Journal of Economic History*, LV (1995), 256–284.

of bankruptcy their bonds would be protected, as Jules Mazarin's had in the mid-seventeenth century. In such a case, during the difficult first two decades of the eighteenth century, they would have been in all likelihood the only ones willing to provide funds to the Estates. At first glance, the data submit that this was a possible scenario. Yet, if they were to have been protected from default regardless of the fund to which they subscribed, they would have been more likely to invest in higher yielding short-term paper or rentes on the Hotel de Ville in Paris, which many of them held anyway. More important, there is little evidence that aristocrats were shielded from defaults and consolidations under Louis XIV or his successors.²⁶

Comparison of the figures for the 1710s with those of the previous decades in tables 3 and 4 discovers that, in Burgundy, the social distribution of the individuals who suffered from interest reductions as a result of government edicts in 1700, 1714, and 1720 matches that of the bond issuers in general. Since all bondholders were treated in the same way, the arrival of the non-Burgundian and nonofficeholding elite cannot be attributed to speculation based on political connection. Rather, a desire for diversification must have motivated investors in the bonds issued by the Estates. To mitigate the risks involved in different kinds of loans, the elite sought to maintain a range of investments, as their probate inventories and research into financial markets in Paris suggest. Turning to Burgundian bonds in the last two decades of Louis XIV's reign was a natural process at a time when Parisian bonds seemed increasingly unstable. Holders of any government bond knew that the Crown had not given up its prerogative of selective defaults and that short-term paper was riskier than Parisian rentes, which, in turn, were riskier than corporate and provincial bonds. If Burgundian bonds were attractive to anyone, they must have offered a different palette of risk than Parisian rentes.²⁷

26 In the defaults of 1698, 1714, 1722, and 1766–1770, all Burgundian bonds were treated equally, regardless of the identity of the creditors. The issue of selective treatment of creditors is more complex, however, since, in any given bond issue, individuals who were promptly repaid faced less risk than individuals who were repaid last. Although the data can speak to this issue, no obvious patterns have emerged. We reserve a more sophisticated statistical analysis for a later article.

27 Defaults on long-term debt occurred in 1698–1700, 1714, 1720–1723, and 1766–1770; there were other consolidations of short-term debt by decree.

The considerable broadening in the social and geographic origins of Burgundian bondholders is testimony that a national credit market, however imperfect, was already at work in the eighteenth century, involving not just a few bankers but also many people who ordinarily might have seemed removed from the arcane world of finance. Indeed, the Estates' ability to tap into the market for government debt allowed them to mediate three times more debt in the five decades after 1740 than in the previous five, or even the five decades of heaviest borrowing under Louis XIV.

Explaining the change in Burgundian debt activity through the rise of a national market facilitated by better communication and better intermediation is appealing; it removes any requirement for political evolution during the Old Regime. Nonetheless, that argument is unsatisfactory on a number of counts. First, communications may not have improved at all in the period from 1720 to 1750, when the Estates shifted their borrowing from Dijon to Paris. Second, if the Estates had enjoyed the political clout to ensure the safety of a large debt as early as 1660, it is not clear why the Crown did not make use of them as financial intermediaries in the early period, or why only local corporate elites invested in their bonds at the start. In this case, even in the absence of good communications, a far broader distribution of bondholders in Burgundy might have been expected than what prevailed prior to 1726.

Examining the Crown's relationship to the Estates' indebtedness highlights the importance of politics rather than financial innovation. Because the Estates paid the interest on their *rentes* on time and maintained their schedule for repaying the principal, they borrowed at lower interest, though they absorbed more revenue in servicing their debts than did the Hotel de Ville. Defaulting on Parisian bonds netted the Crown little more than a fraction of the interest-rate charge, whereas transforming Burgundian debt from term to perpetual debt would have allowed the Crown to recover half of the tax revenue that it had allocated to the Estates—the half that was devoted to reimbursing the capital. As the magnitude of the Estates' outstanding debts rose, the attractiveness of such a maneuver had to rise. Such a scenario is not fanciful. The Crown often reappropriated funds earmarked for debt reimbursement—from the Hotel de Ville of Paris and

from the clergy, for instance. It often failed to pay interest charges on time, and it also failed to maintain the various *caisses d'amortissement* that it created. Furthermore, the Crown had, legally and otherwise, managed to curtail the activities of Estates in many regions, including most recently Provence and Normandy. Thus, the question of how the Estates came to play an increasingly large role in debt financing still needs to be ascertained.²⁸

War and Peace Borrowers will reimburse loans only if lenders can provide sufficient incentives for them to do so. The benefit of default is immediate access to revenues no longer devoted to the debt contract, and the punishment is reduced access to credit in the future. Thus, the urgency for funds enters into any borrower's decision about whether or not to honor a debt. Such a mechanism may have been at work for Burgundian bonds: The change that occurred after the War of Spanish Succession may have reflected a decline in the Crown's need for funds, which, in turn, reduced the risk of default. In this scenario, the political costs that the Estates and their bondholders could bring to bear upon the king would not have changed; rather, the Crown's immediate need for funds receded.

It is conceivable that the reduced intensity of warfare after 1713 allowed the multifaceted expansion of Burgundian credit. Had Louis XV found himself in the throes of a war as intense as the War of Spanish Succession, he might have behaved in a fashion similar to that of his great grandfather. Hence, the Estates would not have been willing to borrow as much as they did. Yet, although budgetary realities undoubtedly mattered, the timing of the financial markets' evolution is not consistent with the notion that war, rather than domestic political relations, was a predominant causal factor. Indeed, the wars of Louis XIV may have lasted longer, but their resource intensities were not much different from those of Louis XV or Louis XVI.²⁹

28 For the clergy, see Michaud, *L'église*, 104–146, 163–183; for the *caisses d'amortissement*, see Marion, *Histoire Financière*, I, 338–385.

29 The Seven Years' War (1756–1763) caused massive damage to the Crown's finances (James C. Riley, *The Seven Years' War and the Old Regime: The Economic and Financial Toll* [Princeton, 1986]). The limited conflict of the American Revolutionary War increased the outstanding debt by more than 33%.

War increased the demand for loanable funds severely. After three decades of peace, in which Estates bond issues averaged 223,000 livres per year, bond issues jumped to 640,000 per year in the 1690s and 1,200,000 in the 1700s. The Estates were not alone in their vigorous borrowing. The Crown itself was also borrowing significantly in the last two decades of the seventeenth century. Meanwhile, as the economy slackened as a result of incessant warfare, the competition for loanable funds must have escalated. The push and pull of these different factors forced the market to disperse somewhat, but the Estates faced significant constraints in finding a new clientele when demand for credit rose so sharply. First, as noted earlier, they were required to commit future tax revenues, which were expected to be low during wartime. Second, the Crown did not allow the Estates to raise interest rates high enough to attract lenders. Although war exacerbated the demand for funds after 1690, this increased demand during the last decades of Louis XIV's reign produced only a limited expansion among the subscribers to the Estates' debt.

More generally, our data does not show any significant differences between periods of war, or near default, and periods of peace, save for the magnitude of the loan issues by the Estates. Comparing the wars at the end of Louis XIV's reign and the period from 1756 to 1770, which encompasses the Seven Years' War and its aftermath, we failed to detect any significant variation in the composition of bondholders. The broadening of the market, which increased the presence of Parisians and groups other than corporate officers, was gradual, and it was not affected by periods of war or peace. Thus, wars were not sources of institutional innovation; nor did they lead individuals to shy away from Burgundian debt issues. The fiscal exigencies of war did not significantly affect whatever distinguished Burgundian debt from other types of debt.³⁰

Politics and Bondholders What made the Burgundian bonds so desirable? Estates' bonds were safer investments than royal rentes. For them to remain so, the Estates had to have sufficient future revenues for the payment of interest and the reimbursement of bonds, which, in turn, depended on the Crown's good graces, because it had the might, if not the legal ability, to force a default.

30 Short-term bonds were suspended in 1759 and again in 1766. A massive restructuring of the king's debts was enacted during the years 1766–1770.

Therefore, the next question is, Why did the Crown allow the Estates to pursue a policy of regular repayments?

As noted earlier, three distinct relationships between the Crown, the Estates, and creditors might have discouraged the Crown from defaulting. First, the personal relationships between the monarch and individual bondholders might have mattered—in a way parallel to the political alliances integral to Beik's model. If the Estates borrowed primarily from individuals who had personal links to the Crown and provided valuable services to the state, the king might have been inclined to default on other loans or to confiscate the revenues belonging to other groups rather than those of the Estates. The presence among the bondholders of many servitors of the Princes of Condé, governors of Burgundy, and close relatives of the king, suggests just how such personal relationships might have worked. In this scenario, the Estates as a distinct political corporation, would have played a limited role in guaranteeing safety; the borrowers' personal links with the Crown would have ensured that the loans were repaid. The Estates would have been simply a pass-through, akin to the local authorities that paid the *juros* bonds in Spain.

A second arrangement at work under the Old Regime was the corporate system, as described by Bien. The deputies to the Estates of Burgundy had no financial attachment to the institution. If the Estates proved unable to pay their debts, the deputies would not have suffered any direct personal loss. Moreover, because they had little legislative authority, they were powerless to stop the Crown from defaulting. Nevertheless, there were regional groups with greater political importance: the officer corps of Burgundy, and, especially, the members of the Chamber of Accounts and the Parlement. As a whole, they rendered valuable services to the Crown—services that could be withdrawn if they suffered from defaults. Thus, if corporate organization were important in making Burgundian bonds safer than royal ones, we would expect the officer corps to have held a significant fraction of the bonds and to have had good reasons for preserving the integrity of the Estates' financial activities. In this case, as in the first scenario, the matter of who held the bonds was critical in reducing the likelihood of default.

Though it would be tempting to stress the distinction between personal links and corporate mechanisms, such a distinction must remain mostly theoretical. Indeed, in Beik's account of

Languedoc, Louis XIV sought to create personal links both with the aristocracy and with corporate leaders. Finding, as we have, that corporate officers dominated before 1720 is consistent with the argument that the identity of bondholders in that period had much to do with reducing royal intervention in debt management. Whether or not corporate officers used their organization to pressure or cajole the king into leaving the Burgundian debt administration free of intervention, however, is not possible for us to decide. As a final note on this point, the expansion of the Estates' borrowing coincided with a period of declining authority for the Condé family. Thus fails the most appealing mechanism whereby personal links might have allowed for the continued safety of Burgundian bonds.³¹

In any event, the argument that the identity of bondholders played a role in maintaining the good management of the Burgundian debt after 1720 is untenable. The social identities and political affiliations of the Estates' bondholders were too diverse to put much pressure on the Crown. A third party, or parties, who derived benefits in other spheres of activity must have constrained the Crown to respect the Estates' obligations. That group would have stood to benefit most from the continuance of the Estates as a significant financial intermediary, regardless of whether its members held much of the Estates' debts. Again, the officer corps may have played this role, but not simply as bondholders protecting their investments; the Estates' financial role enhanced the province's independence and thereby the authority of all the officers. The *élus* of the Estates, who were comprised of a small rotating group from each of the three orders, were another possibility. As their positions became more visible and important with the Estates' activities, they surely would have had the motivation to resist any royal default plans. Yet, in the decades following 1660, the *élus* alone were unlikely to have been in a strong political position. After all, the Fronde had ushered in the abolition of the Estates of Provence, and those of Normandy met for the last time a few years later. Political forces beyond the *élus* must have played an important role in reducing default risk.

The three mechanisms for constraining the Crown outlined above were probably working jointly but at varying intensities at

31 See Ligou, "Élus Généraux," 111–112.

different times. Examination of the Estates' creditors in the 1710s reveals not only individuals with personal links to the monarch (for example, the Duke of Noailles), but also provincial officers (for example, presidents of the Dijon Parlement), as well as a plethora of lenders whose hold on the Crown can only be described as tenuous. Changes over time largely affected the degree to which each of the different mechanisms discouraged the Crown from confiscating the revenues earmarked for debt repayment.

The evolution of the characteristics of bondholders favors the view that the political independence of the Estates was limited in the seventeenth century but that it grew significantly in the eighteenth. After 1710, individuals of limited wealth—risk averse because they were unable to hold portfolios of diverse investments—increased their lending to the Estates. That the new creditors were of limited political power suggests that the Estates were able to offer them low-risk bonds. Hence, the Estates' ability to make their bonds safe would seem to have grown in the eighteenth century. Although they never achieved the powers of the British Parliament, the Estates did go a significant way in that direction—a direction not exactly consistent with the tenets of absolutism. Indeed, the Crown appears to have been more constrained in its dealing with the Estates after 1720 than before. The new restrictions eventually increased the ability of the Estates to borrow for the Crown. In the early period, the limited authority of the Estates prevented them from expanding their lender clientele beyond the rich and politically powerful. Later, however, the increased financial independence of the Estates allowed them to intermediate more debt.

Some scholars view absolutism as responsible for making regimes increasingly inefficient because of an institutional ossification that progressively limits both the scope for reform and the Crown's freedom of action. The evidence from Burgundy suggests that we temper these notions; the French system was able to evolve in a way that provided more, rather than fewer, resources to the Crown.

In general, the expansion of Burgundian financial activity following Louis XIV's reign was both finite and based on a political compromise that did not exist before 1713. That the expansion was finite is clear from two observations: First, the

Crown did not bring back the Estates of other provinces that it had removed in the seventeenth century; nor did it create new ones. Evidently, the Crown saw Estates either directly or indirectly as political constraints. Thus, the ability of the Estates of Burgundy to raise funds easily came at a political cost—reduced royal power. The second observation follows from the first. The Estates of all the provinces together raised a limited amount of the royal loans; their debts were approximately 16 percent of the Old Regime's total in 1792. The Estates had limited power relative to the Crown, and, as their debts rose, the king's return to defaulting on their bonds was bound to increase beyond the political costs of any such default. Hence, without a fundamental redistribution of power away from the Crown, the Estates could not possibly have achieved the financial standing of the British Parliament.³²

Yet, political change did occur, at least c. 1720. In Burgundy, the Estates were able to turn from a clientele of local officers concentrated in the Parlement and the Chamber of Accounts to an increasingly diverse set of individuals dispersed throughout France, from both sexes and all social categories. This diversification occurred without any change in the Estates' financial policies. Thus, some of the political constraints on the expansion of financial markets must have eased. With demonstrable success, the Estates were able to guard against royal default without limiting subscribers to the local elite. Most important, investors recognized the relative security of the Estates' loans, as the participation of artisans, bourgeois, merchants, professionals, and others with little direct political clout demonstrates.³³

The Estates of Burgundy were but one of a number of similar institutions. Those of Languedoc were more active financially and those of Brittany just as active. Throughout the years from 1660 to 1789, the Crown relied simultaneously on the sale of venal offices, corporations, financiers, and the bond market to raise

32 Interpreting the regional assemblies in the Crown's reform proposal of 1787 as an attempt to create Estates is somewhat of a reach, since their original purpose was simply to allocate tax burdens (Jean Egret, *The French Prerevolution 1787–1789* [Chicago, 1977]).

A more appropriate way to measure the Estates' debts would be to compare all capital raised during the period 1750–1789, but such estimates will have to wait until further archival research has been completed.

33 For a similar view about political change, see Kathryn Norberg, "The French Fiscal Crisis of 1788 and the Financial Origins of The Revolution of 1789," in Hoffman and *idem* (eds.), *Fiscal Crisis, Liberty, and Representative Government 1450–1789* (Stanford, 1994), 280–282.

funds, but the crisis that followed the death of Louis XIV inaugurated a transition away from financiers and venality toward the bond market and Estates. Such a transition cautions against viewing absolutism as prematurely ossified and incapable of political evolution. Furthermore, as we have demonstrated, royal financial practices must be placed in precise historical contexts, because the political relationships between the king and the elites were constantly evolving. The mechanism of personal rule that Beik highlighted, in which the king took the lead in reaching an accommodation with elites, probably worked best in periods of peace and prosperity; when war resumed in 1689, new links had to be forged. Venality, however, was so costly to the administrative system that after 1713 it was no longer used as a significant device for raising capital.

Our evidence suggests that a dialectical relationship existed between the Crown and the elites of Old Regime France. The Crown met international challenges and financial exigencies either by accommodating or undermining. Elites responded accordingly, protecting their interests as well as possible while benefiting as they were able from their privileged positions. Their actions, in turn, affected the choices available to the Crown. These financial and political relationships between the Crown and the various elites of the kingdom—often mutually beneficial, at times antagonistic, always in flux—are central to an understanding of absolutism as a political system.

Appendix: Social Classification

Because individuals offered a wealth of information about their social and occupational identities under the Old Regime, creating social classifications might seem to be an easy task. Unfortunately, the information was often ambiguous, not lending itself to neat categories—for example, notaries who are also *avocats au parlement* (lawyers) and *ecuyers* (squires). Thus, notaries fit into three potential categories: royal officeholders, professionals, and nobles.

We adopted a simple scheme that both preserves the entirety of the information offered by the records and provides a classification appropriate for our research. We coded complete occupational definitions, and then classified individuals according to the scheme below. In the case of conflict we gave precedence to officeholding, classifying individuals in that category independent of their social status or other

occupation. Although we can identify nearly 100 social categories, we present only the broad ones here: men unidentified, royal officers general (administrative, foreign affairs, other), financial officers, judicial officers, estate and town officers, military (all branches of the armed forces and the gendarmes), nobles, domestics (servants and officers of nobles), farmers (plowmen, gardeners, vintners), trade (merchants, burghers, bakers, butchers, innkeepers, etc.), artisans (craftsmen and construction workers), clergy (male and female, secular and regular), professionals (lawyers, professors, doctors, etc.), institutions (hospitals, charities, schools, convents, monasteries, chapter houses, etc.), and women not otherwise identified.

In the analysis, domestics, farmers, trade, artisans, and professionals were considered, as a unit, the third estate. There were only thirty-eight farmers; hence, the bulk of the private-sector category involves city dwellers.